

Miriam Schwarz, CEO of Buncombe County Medical Society
August 30, 2007
Opening statement at Health Care Panel (Congressman Heath Shuler and
Congressman David Davis)

Mr. Chairman and Mr. Davis: I am going to address the issue of health insurance for small businesses from two unique perspectives that the Buncombe County Medical Society (BCMS) brings to the table:

1. Physician practices as small businesses
2. BCMS physicians as providers of care to the working uninsured

1. Physician practices as small businesses:

There are approximately 500 physician practices in the 16 county region of WNC. Most of them are small businesses (<50 employees). Like all small businesses, these physician practices have a hard time affording insurance because they have so few people to spread the risk. One sick employee and the small business's premiums go through the roof. Thus, small businesses-- including physician practices-- pay higher premiums per person than do large corporations.

It is a fact that many small businesses must pay lower wages and offer reduced benefits in order to survive. According to an annual survey by the National Federation of Independent Business (NFIB), small business owners in NC ranked the cost and availability of health insurance as the biggest problem facing them nine of the last 10 years (2004 The Rural Economic Development Center).)

Most of our doctors' offices have reached a point where they can no longer afford to pay the entire premium for their own staff's health insurance, so they are increasingly asking employees to accept higher deductibles and pay a higher share of premiums, and they are dropping family members from the plans. Here are a few of their stories:

Regional Allergy & Asthma Consultants

"Two years ago we reached a point where could no longer afford to pay the entire premium for our staff health insurance. This was particularly difficult because over half of our staff has been with us more than 10 years, so they were accustomed to the practice paying 100% of the premium. We asked them to begin contributing 25% of their premium. When our renewal came up for August 1, 2007, we only offered a \$1500 deductible to try to offset the 10% increase in premium. In the past we have offered \$750 and \$1500 deductible options. The cost of health insurance for our fiscal year end 5/31/07 was \$110,500 (this doesn't include the \$20,000 paid by the staff). We carry 21 employees on our policy. That means we pay \$5,200 annually per employee for our 21 employees."

Mountain Kidney & Hypertension Associates, P.A. and Carolina Renal Care

“From the employer point of view we are (like everyone else) stuck with reviewing options and deciding whether to renew current coverage, reduce current coverage or seek coverage with a different insurer. This is time consuming and expensive - just to get the information - then comes decision time. At present, it is a trade off between increasing deductibles and requiring employees to pay more of their premiums. Insurance coverage - health, business-owners and malpractice - is the single largest expense we face each year.”

Asheville Eye Associates

“As a business, I can tell you that my practice has switched in part to Health Savings Accounts with high deductible insurance, shifting more of the health care costs to the employees.”

In addition to dealing with their own employees’ health care plans, physician practices must also deal with the ever changing landscape of health care coverage for their patients as small businesses shift to less expensive coverage and deductibles. The impact of the shifting sands is summarized very well by this one practice:

"It is very likely that during the next few months we will have to add a staff position to do nothing but handle precertifications and authorizations for managed care entities, not to mention the Medicare Advantage plans. It is not unusual for a Medical Assistant to spend an hour or more on the phone trying to obtain information/precertification for a procedure or referral. Not only is she using valuable time to accomplish this chore, then she must use additional time (often overtime) to complete other tasks such as scheduling or returning patient phone calls. It is also difficult to keep up with the ever changing coverage as employers shift to different, less expensive coverage and employees are not usually up to date on their current coverage. This requires additional time on the part of front desk personnel to acquire new info, then on the part of billing staff to verify coverage and make changes in the computer. Collecting balances then becomes more difficult because patients are now having to meet higher deductibles than in previous years.

It is a constant challenge to keep this ever changing landscape in view - and has a ripple effect that touches just about everyone in the practice."

2. BCMS physicians as providers of care to the working uninsured

Paloma’s story. Paloma was diagnosed with adult-onset asthma, with severe breathing difficulties requiring unaffordable medications and doctor visits. Her part time work did not provide her with health insurance. Project Access came to her rescue, as it has with so many other thousands of patients in Buncombe County. After receiving proper treatment, her breathing improved and Paloma was able to get a full time job that provided her with

health insurance. She says of her doctors: They saved my life. Where would she be without the BCMS physicians who so willingly give free care to the working uninsured?

Eleven years ago, Buncombe County physicians came together to organize the charity care they provided, making it more efficient, more comprehensive, and more accessible to patients. PA is an integrated health care system providing universal, on demand access with the full continuum of health care, including medications, primary care specialty care, labs, and other services for its low-income uninsured patients.

PA is a strategic partnership between government, non-profit and for profit organizations, primarily funded by an annual allocation of \$470K of county tax dollars, the majority of which goes to pay for medication for the patients that the doctors are seeing for free. In the past year alone, BCMS doctors have donated over \$10 million dollars in free care, serving 3300 patients. In the past 11 years, 18,000 patients have been served with a total value of services at 72.8 million dollars.

Forty six percent of current PA patients have no insurance but work full time, part time, or are self-employed. Over 85% of Buncombe County's private practice physicians and their employees--and remember, these practices are **small businesses themselves struggling to insure their own employees**—give away free care.

PA is a great program being replicated all over the country, but I'm here to tell you that the physicians are growing weary. The physicians of Buncombe County are giving away free care to the working uninsured, but in spite of their generosity, they are being assaulted by a host of factors that are wearing them down or out of business. Their own health insurance premiums are up, physician reimbursement for services is down, Medicare and Medicaid are currently not covering the true cost of care, medical liability insurance premiums are skyrocketing particularly for "high risk" specialties such as OBs and surgeons, the health care system practices defensive medicine for fear of litigation, and healthcare coverage for patients is becoming scarce because employers can no longer afford to provide coverage for their employees, let alone their families.

Here's what one BCMS physician had to say about the matter:

"Eleven years ago when PA was started, MDs were being paid 90-95% of what they billed in the local area. That number now is around 45-50% of what they bill. Most local MD practices have seen their reimbursement rates and thus their business' income per physician fall 45-50% in the last 10 years. This pattern of MDs donating their care to the local businesses to take care of other people's employees while we struggle to afford to take care of our own employees is not sustainable. This is why we are seeing PA interest waning – it is not because doctors don't provide free care or aren't interested in being charitable (we all do). It's just we simply can't afford to continue to do so under the current system, especially in a state with very strict CON laws that significantly restrict ancillary income sources for physicians. I would compare us to local restaurants. I would make a similar comparison that the solution to the hunger problem in the US is not

to have all the small restaurants give away free food all the time – occasionally is fine but all the time and you end up losing your business then you can't help anyone.”

Project Access is not a cure all for the uninsured. PA is **NOT** the answer to the incredibly complex problem of national health care reform. It is only a stop gap measure, an example of a community of physicians trying to address a problem in the absence of policy reform at the state and national levels. Project Access is “Ethical and Philanthropic Doctors Working for Free,” and there is only a certain amount of free care that doctors can afford to give away. Relying on charity care is **not** the solution.

Conclusion:

BCMS doesn't have an official position statement on what the solution to our healthcare access crisis should be, but as you can see, the doctors of BCMS and WNC put more value in action, than position statements. BCMS hopes that Congress will soon begin putting action before position statements.

Thank you.